UNITED NATIONS

World Chronicle

PROGRAMME: No. 596, recorded 20 September 1995

GUEST: **Joseph CONNOR**
Under-Secretary-General for Administration and Management

JOURNALISTS: Bhaskar Menon, *The Times* of India
Judy Lessing, Radio New Zealand

MODERATOR: Michael Littlejohns

UNITED NATIONS FINANCIAL CRISIS

Joseph CONNOR, Under-Secretary-General for Administration and Management, elaborates on the financial situation of the United Nations. Simplification and the removal of duplications and overlap, including the elimination of a number of posts, are among steps already taken to ease the current crisis. The next biennial budget, for 1996-1997, reflects a 4.2 per cent reduction from the previous budget. Additional emergency money-saving measures are being taken until Member States pay their assessed contributions for both the regular budget and peace-keeping operations. A High-level Open-ended Working Group on the Financial Situation of the Organization is looking into constructive and positive changes with which to provide the Organization with a solid financial base. Mr. Connor calls on all Member States to pay their contributions on time.

WORLD CHRONICLE is produced by the Media Division, Department of Public Information, United Nations, New York, NY 10017, U.S.A.

Duration:	28:00"
Executive Producer:	Kamil Taha
Director:	Livingston Hinckley
Production Assistant:	Ellen McGuffie

ANNOUNCER: From United Nations Headquarters in New York, this is **World Chronicle**, an unedited interview programme about major global issues. Here now to introduce our guest is the host of today's **World Chronicle**.

LITTLEJOHNS: I'm Michael Littlejohns, and this is **World Chronicle**.

While the United Nations continues its administrative and financial reforms, it faces a serious challenge that threatens its very existence. The financial crisis has deepened to such a degree that the world organization may not be able to carry on its programmes or meet its payroll.

Why has the situation deteriorated to this point, and why are many of the Member States not paying their assessed contributions on time, for both the regular budget and for Peace-keeping Operations?

With me to discuss the current problem is Joseph Connor, Under-Secretary-General for Administration and Management, and joining us will be Bhaskar Menon of *The Times* of India and Judy Lessing of Radio New Zealand. Mr. Connor, welcome to **World Chronicle**.

Mr. Connor, it seems that it's a bit rough on the members of the staff who are confronted with various restrictions financially that this should happen when the real culprits are the Member States who are not paying their dues. What can the United Nations do to squeeze the Member States instead of squeezing the staff?

CONNOR: Well, our problem in a nutshell is we're running out of cash. We have to find a place to generate some cash savings and prolong the availability of cash. I think your question overlooks one very, very much present, ever-present squeeze. We owe Member States, for troops and equipment provided to the peace-keeping missions, $900 million, and some of that debt goes back several years. Eighty countries are owed money. So I think it's wrong to say that the Member States are not being squeezed. At least that group of 80 are being squeezed pretty hard. It's true that the Secretariat has instituted a number of other cash-saving devices; one or two of them, clearly the Secretariat staff is going to carry the burden -- longer intervals between pay periods; giving up certain allowances that they're paid. But the bulk of the --

LITTLEJOHNS: Payless paydays, perhaps at some point?

CONNOR: No, that's not part of the programme. We are stretching the interval, paying people on a monthly basis rather than semi-monthly, and some of their allowances are being deferred. But the bulk of the present additional programmes is to cut travel, cut overtime, cut the consultancies, cut a number of things that will ease us through this present crisis until the Member States begin paying again, hopefully when the new budget is legislated, towards the end of December.

LITTLEJOHNS: For the benefit of our audience, what is the extent of the arrears at the moment?

CONNOR: $3.7 billion. That's a very large number.

LITTLEJOHNS: And the largest debtor is the United States?

CONNOR: The United States is the largest assessed contributor. They are the largest debtor, and they account for about 42-43 per cent of the amount that is due to the Organization.

MENON: The regular budget, it's about $1.8 billion every two years? Is that right?

CONNOR: No, $1.2.

MENON: $1.2 billion every two years?

CONNOR: And we're reducing that.

MENON: Every two years or every year?

CONNOR: Every year.

MENON: Every year it's $1.2 billion.

CONNOR: Every year, $1.2 billion.

MENON: So of that, what -- could you break it down, how much money goes to staff, how much to services, how much to travel? What are the percentages?

CONNOR: I think the biggest percentage is staff. When you talk about the entire staff cost, the percentage comes out at about 70 per cent. But that includes pension provisions and lots of other things that are not direct cash payments to the staff, so I'd say that the real number is about 50 per cent.

MENON: About 50 per cent is staff.

CONNOR: Yes.

MENON: So you have the possibility of making do with substantially less than what is budgeted. In other words, you can still pay staff and carry on for quite a while, even if you have 50 per cent less money than is actually budgeted.

CONNOR: We are trying to make sure that we do not run out of cash so that we can meet our payday obligations. And that's why we've put in these stringent cash restraints during this crucial period of a couple of weeks, couple of months.

MENON: Mr. Connor, at least for a decade now the UN has been saying that we are in a state of financial crisis. At what point does the world believe that you're not just crying wolf, but that the wolf is actually there?

CONNOR: You're right, we have been saying that. Today's situation is a matter of degree. We have never had a situation where we have had to borrow cash from the peace-keeping funds to pay the regular budget. We had borrowed $98 million at the end of last month, and we will have to increase that borrowing by about $100 million each month until

we've received some significant regular budget contributions from the Member States. We've never had that situation before. What keeps us going? The willingness of that group of 80 Member States that I mentioned a minute ago to, in effect, extend us credit. We have never had anything like $900 million of debt. If we do not receive significant cash inflow, by the end of the year we will owe that group of Member States $1.2 billion. And if projections continue through the next year as to what we might reasonably expect, we'll be up to $2 billion. At some point, even the most supportive State will say "I'm turning off the tap." We're getting ready for an even greater crisis.

LESSING: Mr. Connor, the beginning of each year -- I've forgotten the precise date, but it's sometime in January -- States are supposed to pay in full their assessed contribution. And when I last looked about 20 -- there might be one or two more -- but about 20 of them would turn up in that month and they would pay. And everybody else just sort of sits around and doesn't pay for a very long time. Now, if they were a member of a private club, they'd have a lot of sanctions. They may actually not be able to come into the building. But the problem with the UN, it seems to me, is that it's the members who make the rules about what they can do when they're not paying up. How do you get round that? How do you -- what incentives are there?

CONNOR: One rule that is on the books, legislated -- it's part of the Charter as a matter of fact -- is that you can't be a debtor for more than two years. In other words, if you do not pay your assessments and keep the amount due under that two-year limit, you lose your vote. That's the only penalty that's on the books. There are no other penalties, but several have been suggested by the members in a current debate at the high level to add both disincentives and incentives to the programme.

LESSING: Such as?

CONNOR: For example, restricting procurement from Member States in arrears; restricting hiring the nationals of States in arrears. This is, as you characterized it, a decision for the Member States to carry out. These are tough decisions, but I think that we are getting to a point where the crisis situation is pretty tough, too.

MENON: On the procurement aspect of it, precisely when the American arrears to the Organization were growing, procurement has actually increased tremendously. It's gone from about 25 per cent of the regular budget to about 43 per cent for the last year.

CONNOR: The reason for that, of course, is the expansion of the military components of peace-keeping. In many respects, we buy military equipment where we believe we can get the best value for the membership as a whole. If you're quoting the US percentage, my number, the number I keep in mind is about 37 per cent, but there are

letters of assist, so you may be right in your 43 per cent number, I wouldn't argue with that as an order of magnitude number, and it has been growing.

LITTLEJOHNS: Mr. Connor, you're very interested in efficiency and, as a former chief executive at Price Waterhouse, you have a lot of experience in trying to get corporations in particular to shape up. How is the United Nations shaping up in this respect? Is it increasing efficiency? Are Member States who are paying getting value for their dollar or their pound or mark or whatever?

CONNOR: I don't think we're ever going to reach the point in time where the Member States stand up and cheer because we're so efficient that they've never seen anything like it, but we're moving in the right direction. The next budget is down by $100 million -- now, that's a biennium number. That represents about 4 per cent. And that was achieved by simplification of procedures -- few words, but there are lots of ways in which you can simplify in this Organization.

LITTLEJOHNS: You mean cutting out some of the paperwork?

CONNOR: Absolutely, that's right. Going in a straight line. For example -- I've used this in other instances -- our purchasing procedures look like a series of S's, go from one department to another, back and forth. Now, if you draw the line straight, from the person who needs the material to the one who actually delivers it, you can cut out by simplification a lot of the intermediate steps.

LITTLEJOHNS: But, in a bureaucracy like this, is it possible to do that?

CONNOR: Well, we're trying, and we eliminated a fair number of posts. We eliminated 200 posts in this next budget. In other words, 200 people that were here this year won't be here next year, all through simplification. I think, however, it's only a start. The next step will be to take a look at duplication and overlap. I don't think there are really two people in this organization doing exactly the same thing. But the problem with the Organization is you have mandates given to it by different General Assemblies to different components at different times. It would be a miracle if there wasn't some element of duplication and overlap. We intend to eliminate enough of that duplication and overlap to create a situation where we have a significant budget underspend. Where are we going to get it? I don't know where we're going to get it, but I didn't know where we were going to get the $109 million on simplifications when we began that exercise. But I know it's there, and I know we will deliver it. And that's the pledge that we will make to the members as they legislate this budget, and I'm sure I'll hear a lot about it at the end of two years.

LESSING: There was a Ford Foundation study that came out a couple of years ago -- it's one in a series the Ford Foundation's been working on. And I can't remember

which American state it was, I think it was Wyoming or Montana, the report said that there are more bureaucrats in one or other of those states running the state government than there are here at United Nations Headquarters running a world organization. It's well and good to say simplification and more efficiency and better management, but aren't you getting to the point where in fact you're strapped for people?

CONNOR: I don't think so. I really don't. We actually -- our business is fulfilling mandates given to us. And we have a lot of flexibility, not in what we deliver to the Member States, but in how we do it. Now, if they increase the mandates, the Organization will have to grow. But it has been working in exactly the opposite direction. I think it's also a very, very good management device to say to each of your key programme managers -- and the Secretary-General has said this -- always keep in mind, how could I do what I'm being asked to do now with 10 per cent less? He's not ordering a 10 per cent reduction, he's putting a target out there. And whether you enact that target or just achieve it because people are conscious of cost effective delivery, it's all to the good.

LITTLEJOHNS: This is **World Chronicle**. Our guest is Joseph Connor, Under-Secretary-General for Administration and Management.

MENON: A number of countries are not paying their dues to the UN because they can't afford to, they don't have the money. These are the very poorest countries. The United States, on the other hand, is, I think -- the perception is that it is doing it for a political reason, it wants the United Nations to reform itself. In this situation, why is the Secretary-General not putting forward a clear picture of what he could do by way of reform? Why is there this kind of very cautious game going on about it's the responsibility of the Member States, we really can't do anything? Why is that game going on?

CONNOR: I don't think he's saying we're not doing anything, I think we're doing a lot. And we will continue to do a lot, as I said a moment ago, not only to deliver the cost savings we promised on the front end of this new budget, but to underspend on the back end. That's consistent delivery at a cost effective pace. The Organization is shrinking. Most Member States really do know that. When 12.5 per cent of the staff were eliminated a few years ago I didn't see any headlines, but it in fact happened. We are spending today at a level that I think rivals well the accomplishments of Member States. We've been downsizing consistently. And we will continue with it.

I do agree that Member States pay or don't pay for different reasons. We hope they pay because they think they're getting value, and we've got to prove that to them every year. So we constantly talk about what we are delivering, not how many posts they're giving us. That's there. Now, the withholding, several States -- and the US is certainly in that category -- withhold certain portions of their assessments because they disagree with

some feature or other of the Organization, that's been going on for a long time. We would hope that that practice would abate, because, after all, everybody has a veto in this Organization. I don't mean in the Security Council, but no legislation gets through the General Assembly, including the budget, unless every State votes for it. Now, if you vote for it, I think you have a commitment to that programme and an obligation to pay to have it funded.

MENON: But this is precisely what I mean. You yourself said that the General Assembly has given you over a number of years a very large number of mandates.

CONNOR: Yes.

MENON: And all this is taken into account in formulating the UN budget.

CONNOR: Right.

MENON: Now, why is there no systematic analysis of these mandates to find out if one mandate is in fact replicating another, what amount of overlap there is? This seems to me the beginning of reform, but yet it's not been done.

CONNOR: I think it's not the beginning of reform. I think the beginning of reform was, in my mind, a little different. Phase one, simplification; phase two, remove the duplication and overlap; phase three, after you've done the things that are totally within your control as a manager, take a look at whether the spending was worthwhile in the first place. That's the elimination of duplication in mandates, and that is a political decision by the Member States. We want to be on very firm ground with good analysis, good data before we respond to your challenge, and, frankly, theirs. Tell us where we're spending money we don't have to spend, and we'll get there. That's phase three of this efficiency task force that the Secretary-General has empowered.

LESSING: Mr. Connor, there has recently been set up by the General Assembly an open-ended working group of their own members with a couple of chairmen -- funnily enough, they come from India and New Zealand, which is just coincidence here -- but they're going to be looking into the overall reform of the whole system, as I understand their mandate.

CONNOR: Yes.

LESSING: If they took you to lunch, what would you tell them? Where would you tell them to look?

CONNOR: I'd remind them of something they really don't have to be reminded of. The Organization is not one organization. It's a collection of organizations with varying degrees of autonomy relative to the Secretariat, some of them totally under the Secretary-General's managerial responsibility -- the Secretariat, some of the other organizations, like UNCTAD; some that are only partially, where they have their own inter-governmental

group, meaning their own board, from countries, but different ones than are in the General Assembly; and some that are totally outside his control. That was done for political reasons, to avoid over-concentration. So, consequently, when somebody asks the question, "Who's in charge?" the answer is there's no one person in charge. Now, anybody knows who's in charge of IBM, and they know that his authority extends to the entire organization; we don't have that. So most of the studies, and they're good studies, clearly focus on straightening out the organizational alignment with responsibilities, so that to a degree from top to bottom you can trail the responsibility line. Now, I think politics will always enter into this -- it won't be totally straight, but I think that's a good thing to look at at this time.

MENON: How realistic do you think is the American proposal to actually consolidate, to do away with these many faces of the UN, and actually to streamline the Organization itself?

CONNOR: Oh, I think streamlining is very important.

MENON: No, I mean consolidating it, politically.

CONNOR: I think that really -- we're really talking the same way. When you do that, when you streamline the Organization, just as the Secretary-General did three years ago when he became Secretary-General.... He consolidated, he put into components, into clearly-defined, focused areas of member service: Peace-keeping; Political Affairs, meaning good offices; Humanitarian Affairs. He really did compartmentalize while streamlining. That sort of an exercise has not been done outside of the Secretariat, into the groups and agencies that circle the Secretariat in various rings. I think that is very clearly going to be beneficial, very clearly overdue, and hopefully can be speedily assessed. There's plenty of books that have been written about how to do it. Always a difficult time isn't conceptualizing, but implementing that stuff.

LITTLEJOHNS: Mr. Connor, you spoke about downsizing. That's a pretty scary word for people who are threatened with downsizing. What is the United Nations doing to make it easier for these people who are losing their jobs? You spoke about 200 who have already lost their jobs. Do you have a buy-out programme for these people?

CONNOR: Yes, we do, but it's not for those people. In other words, we have two programmes going on side by side: The elimination of certain posts, and we will compensate, as any responsible employer does; we will cushion the leaving exercise. That's where the Organization decides that the post is no longer necessary, they've made that judgment. As a companion one, we have a voluntary programme aimed at giving staff members a chance to take themselves out, and there is a compensation package that goes along with that. Our problem in the last couple of days has been to say no to a fairly large

number of people who had said they would like to take advantage of that. And we are sending out information as to who has been selected. We could downsize some more through that way if we had more money with which to do it. I must tell you that one of the things we cannot do is to honour those commitments during the next several weeks. We cannot pay the termination payments at this time. That's one of the cash conservation measures -- a bad management decision, a good cash management decision.

LESSING: Talking about cash, is there any way for the UN to get some sort of capital funds so that it could have investments? I mean, you can't even rate the UN as, say, Standard and Poors would rate a company, because there's -- no one will invest in it.

CONNOR: Well, we're a long way from selling investments in the UN. It is extraordinary that an organization of this size, while not huge, operates without a capital base, totally dependent on the assessment system, precluded from borrowing in any form or shape except through the device of not paying our Member States. I think that putting a solid financial foundation under this organization is very necessary. It's more than just "Hurry up with your assessment payments" -- there will always be States that cannot meet that, for one reason or another; we need some reserves. And I think the Member States should really focus on getting us a capital base.

LITTLEJOHNS: Mr. Connor, you spoke about borrowing to meet current obligations. Are you paying interest on these loans?

CONNOR: We're only shifting cash from our Peace-keeping Operations to our regular budget; we're not borrowing from anybody on the outside, we're borrowing internally, so interest never gets --

LITTLEJOHNS: So it's sort of a juggling thing that you're doing.

CONNOR: I spend more time managing our cash these days than in managing the Organization. And that, frankly, from a constructive viewpoint, is a waste of time.

LESSING: This is a form of creative accounting, isn't it? Or is it?

CONNOR: No, it's not the accounting, it's creative treasury manipulation.

[LAUGHTER]

LESSING: But any way you look at it, it really isn't the best thing to have to do.

MENON: What do Governments have to say about it?

CONNOR: Well, we've informed Governments all along the line as to our worsening financial condition. Last February I gave a very, very detailed projection of our cash flow situation just at about this time. It's a little worse than what I projected, but it's in the ball park. They knew it was coming if our rate of assessment collection did not improve. Of course, the United States as the main contributor is very key to that. The US

has traditionally in the last couple of years only paid its regular budget assessment in the last three months, and usually in October.

LITTLEJOHNS: But that's -- it's impossible to change that, isn't it, because of the Congress? Isn't it something to do with the internal --

CONNOR: The US changed once before. There was a year when they skipped any payment to the UN for the regular budget assessment. That was about 10 years ago. And so they now have been operating such that the payment that they usually make in the last three months of the year is really the budget assessment for the year earlier, as far as we're concerned.

MENON: Japan and the European countries together pay about 50 per cent of the budget.

CONNOR: A little bit less than that.

MENON: Thirty-six for the Europeans and 14 for the Japanese.

CONNOR: The Japanese are a little bit higher than that, but you're talking right numbers. Probably around --

MENON: About 50 per cent.

CONNOR: I would put them together somewhat in excess of 50 per cent, probably 53, 54.

MENON: So what do they have to say about this creative treasury management?

CONNOR: I think they recognize that we have no alternatives, and clearly the tenor of the discussion in the high level group is, regardless of any other reform that's put in, we simply have to have a commitment by Member States to pay their assessments in full, on time, and without condition, as long as we are so totally dependent on that. And it will always be the major financing vehicle of this Organization.

LITTLEJOHNS: Mr. Connor, on that note I'm afraid we have to finish. Our guest has been Joseph Connor, United Nations Under-Secretary-General for Administration and Management. He was interviewed by Bhaskar Menon of *The Times* of India and Judy Lessing of Radio New Zealand. I'm Michael Littlejohns. Thank you for joining us. We invite you to be with us for the next edition of **World Chronicle**.

* * * * *

Transcripts of the programme may be obtained free of charge by sending a stamped, self-addressed envelope to: **World Chronicle**, United Nations, Room S-827, New York, New York, 10017, USA.

World Chronicle is broadcast worldwide and features guests whose work is concerned with major global issues. This programme is a public affairs presentation of this station from United Nations Radio and Television.

Additional information material about the United Nations can be obtained by writing to the Public Inquiries Unit, United Nations, Room GA-57, New York, New York, 10017, USA, or the UN Information Centre in your country.